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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC 2844

INFO RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

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RUEKJCS/JOINT STAFF WASHDC

UNCLAS ASHGABAT 000640

SENSITIVE

SIPDIS

STATE FOR SCA/CEN; EEB

PLEASE PASS TO USTDA DAN STEIN

ENERGY FOR EKIMOFF/THOMPSON

COMMERCE FOR HUEPER

E.O. 12958: N/A

TAGS: EPET PGOV EINV TX

SUBJECT: TURKMENISTAN: DIFFERENCES WITH RUSSIA BLOCK PROGRESS ON  
LITTORAL PIPELINE

REF: ASHGABAT 462

¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (SBU) SUMMARY: The Government of Turkmenistan has taken no actions that would advance the development of the Caspian Littoral (aka Pre-Caspian) Gas Pipeline project since at least the run-up to President Berdimuhamedov's visit to Russia two months ago. The planned Littoral Gas Pipeline is supposed to link Turkmenistan and Kazakhstan to Russia and transport 30 to 40 bcm of Turkmen and Kazakh gas annually. Turkmenistan is the only one of the three participating countries that still has not ratified the Littoral Pipeline Construction Agreement signed by the Presidents of Russia, Kazakhstan, and Turkmenistan in December 2007. Russia's and Gazprom's poorly-received responses to the April 8 pipeline explosion and Turkmen reluctance to help Gazprom take control of an even larger portion of Central Asian gas may keep this pipeline from happening anytime soon. END SUMMARY.

FINANCING AND CAPACITY ARE STICKING POINTS

¶3. (SBU) Turkmenistan's refusal to ratify the agreement reportedly is based on the two countries' inability to agree on financial obligations related to the pipeline's construction and the planned total export capacity of the pipeline. According to a Turkmenistan Ministry of Oil and Gas official, the disagreement between the two countries on the proposed East - West gas pipeline, which is supposed to link Turkmenistan's eastern gas fields to gas facilities in the country's west, played a key role in slowing bilateral negotiations for the Littoral Gas Pipeline project. The Turkmen Government turned down Gazprom's offer to invest in the construction of the East - West pipeline because Gazprom wanted guarantees that its contents would be exclusively dedicated to feeding the Littoral Pipeline.

NEED TO RESOLVE CURRENT DISPUTE OVER GAS EXPORTS

¶4. (SBU) The April 8 gas blast on the Turkmen section of the Central Asia - Center gas pipeline (reftel), and the mutual accusations between Gazprom and the Government of Turkmenistan that followed, have further discouraged Turkmenistan from taking any action to advance the Littoral Gas Pipeline project. This, in turn, has made it difficult for Gazprom to move the project forward. A Ministry of Oil and Gas official opined in a meeting with local staff that there would be no progress on the Littoral Pipeline Agreement on the Turkmen side until the deliveries of Turkmen gas to Russia are resumed under terms that totally satisfy Turkmenistan.

¶5. (SBU) COMMENT: Turkmenistan's reluctance to ratify the Littoral Pipeline Agreement suggests that the Government is becoming increasingly concerned that Gazprom would strengthen its control over Central Asian gas, should the Littoral Pipeline project become a reality. Even after the current supply dispute is resolved with Gazprom, the Government of Turkmenistan may rebuff Russian efforts to persuade Turkmenistan to commit additional volumes of gas to the Littoral Pipeline project. Since Turkmenistan's policy of diversification of gas exports is at odds with Russia's ambitions, the Turkmen Government -- presuming negotiations on development of the Littoral resume at some point -- will likely impose a limit on the quantity of Turkmen gas committed to the future Littoral pipeline, in order to keep open the possibility of alternative gas routes that will give the country the diversity it wants. END COMMENT.

MILES